

Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

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In the Matter of)
)
AMENDMENT OF PART 36 AND PART 69) RM-8480
OF THE COMMISSION'S RULES TO EFFECT)
COMPREHENSIVE REFORM OF THE ACCESS)
CHARGE SYSTEM)

RESPONSE TO PETITION FOR RULEMAKING

The Public Service Commission of the District of Columbia (D.C. PSC), pursuant to 47 CFR §405, hereby responds to the petition for rulemaking filed by the Ad Hoc Telecommunications Users Committee (Ad Hoc).

I. INTRODUCTION

Ad Hoc proposes that the Federal Communications Commission (FCC) amend its Part 69 and Part 36 rules to (1) reform universal service funding, (2) reform the jurisdictional separations procedures, and (3) change access charge allocations. More specifically, Ad Hoc would reform universal service funding by keeping the funding to a minimum, by allowing competing access providers to bid for the right to serve "high cost" exchanges, to eliminate funding by interexchange carriers (IXCs), and to collect and distribute funds through a neutral non-service provider party. Ad Hoc Petition at 7-8. Ad Hoc claims that income-based targeted subsidies should in most cases be sufficient. Ad Hoc Petition, Exhibit A at 18.

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With respect to jurisdictional separations, Ad Hoc proposes an interim de-linking of jurisdictional separations from access charge rules and a mechanism (Jurisdictional Transfer Mechanism or JTM) to transfer the total intrastate results from jurisdictional separations to the states. Ad Hoc Petition, Exhibit A at 30-33. Ad Hoc assumes that the current separations procedures result in overallocation of costs to interstate services. Ad Hoc Petition at 10-11.

Among the changes that Ad Hoc would make in access charges is to eliminate the cap on the subscriber line charge (SLC), thus reducing the carrier common line charge (CCLC).

The D.C. PSC notes that the changes proposed by Ad Hoc would, either directly or indirectly, increase rates to end users and reduce rates to IXCs. The D.C. PSC shows below that, while a comprehensive review of jurisdictional separations and access charges should be undertaken by the Federal-State Joint Board (Joint Board), the changes should protect end users and states from increases in rates in order to promote universal service.

II. THE COMPREHENSIVE REFORM OF JURISDICTIONAL SEPARATIONS AND ACCESS RULES CAN ONLY BE DETERMINED BY A JOINT BOARD

Ad Hoc proposes changes both in jurisdictional separations procedures and in access charge rules. Although it claims that the change in jurisdictional separations rules will not change the level of costs attributed to each jurisdiction, it seeks to use the JTM methodology to redress the alleged overallocation of costs to the interstate jurisdiction. Therefore, it is seeking a revision of the allocation of costs between interstate and intrastate jurisdictions, which the FCC is required to refer to the Joint

Board. 47 U.S.C. §410(c).

**III. UNIVERSAL SERVICE NEEDS TO BE REFORMED TO PROTECT END USERS,
NOT IXCs**

Universal service is currently protected by explicit subsidies such as the Universal Service Fund (USF) and by such implicit subsidies as may be contained in jurisdictional separations. Ad Hoc would reduce these protections of end users by (1) limiting the explicit subsidies to low-income individuals, (2) requiring end users rather than IXCs to support the USF, and (3) attempting to change jurisdictional separations for the benefit of interstate service.

With respect to the explicit subsidies, the D.C. PSC submits that the support for low-income subscribers should be increased because the penetration rates of such users throughout the United States are lower than the national average. Thus, in 1993, the penetration rate for households with income of less than \$10,000 was 81.4 percent, and the penetration rate for households with income between \$10,000 and \$20,000 was approximately 92.1 percent.^{1/} By comparison, the D.C. PSC has been informed that in Canada, the 1992 penetration rate was 92.8 percent for households with income less than \$10,000 and 97.1 percent for households with income between \$10,000 and \$20,000. This data indicates that the United States is still deficient with regard to telephone penetration, for low-income subscribers, both absolutely and in comparison with Canada. Therefore, an increased USF should be

^{1/} Telephone Subscribership in the United States, Industry Analysis Division, Common Carrier Bureau (March 1994).

adopted to increase the penetration rate. Similarly, placing the burden of financing USF on end users rather than IXC's can only aggravate the penetration problem by requiring end users, some of them low-income, to pay increasing amounts.

With respect to implicit subsidies, it is incorrect to claim that increasing residential rates by means of increased SLC's or increased intrastate rates will not reduce penetration or impose hardship on citizens. Most of the persons who receive low-income assistance are those who receive public assistance from federal or local governments. Persons who have slightly more income may not be so severely impacted by minimal increases in telephone rates that they would be unable to pay for telephone service. However, substantial increases that will occur with unlimited cost increases allocated to local service could make telephone service unaffordable to a wider group. Therefore, universal service will not remain affordable if overall telephone rates are not kept reasonable because of increases in the SLC or in costs allocated to state jurisdictions. The D.C. PSC submits, therefore, that subsidies for low-income households alone will not be sufficient to protect universal service.

IV. AD HOC HAS NOT SHOWN THAT JURISDICTIONAL SEPARATIONS UNDERALLOCATES COSTS TO INTRASTATE SERVICE

As stated above, although Ad Hoc does not directly recommend the allocation of additional costs to the intrastate jurisdiction, the clear implication of its language is that costs are overallocated to interstate and that this should be changed. The D.C. PSC does not agree. First, the current jurisdictional

separations procedures allocate many costs based on relative Dial Equipment Minutes (DEM). In the D.C. PSC's view, DEM double counts local minutes and therefore overallocates costs to state jurisdictions. An allocation based on Switched Minutes of Use (SMOU) counts local minutes only once and therefore should be used to reduce intrastate costs.

Further, many recent investments are designed to make possible video services and other features of the Information Superhighway. Since the FCC has determined that video dialtone service is presumptively interstate, all costs related to video should be allocated to interstate. See In the Matter of Telephone Company-Cable Television Cross-Ownership Rules, §63.54-63.58, CC Docket No. 87-266, 7 FCC Rcd 5781, 5820 (1992). In addition, the usage by video of common facilities is approximately nine times that of voice, so that most of the cost of jointly used facilities should be allocated to interstate. Consequently, if anything, the costs allocated to the interstate jurisdiction should rise rather than decline.

V. THE SLC CAP SHOULD NOT BE REMOVED

The D.C. PSC submits that the SLC should not be increased as Ad Hoc proposes. First, as stated above, the increase in end user charges will thwart all efforts to increase the penetration among low income users and, depending on the level of the increase, among medium income users. Second, access to the local loop allows IXCs to increase their business and they should therefore pay for this advantage. Third, there have been and will continue to be

increased costs in the local loop due primarily to investments to provide broadband and similar services. Residential users who do not use these services should not have to pay for them.

VI. CONCLUSION

As stated above, Ad Hoc's proposal seeks to impose costs on end users and reduce costs to IXCs. As large users of IXC services, the companies represented by Ad Hoc have an interest in reducing their costs. This does not, however, mean that their proposals are in the public interest. Instead of adopting their proposals, the FCC should refer the issue of a comprehensive reform of jurisdictional separations to the Joint Board, which should develop methods to protect end users and state jurisdictions from additional rate increases.

Respectfully submitted,

PUBLIC SERVICE COMMISSION
OF THE DISTRICT OF COLUMBIA

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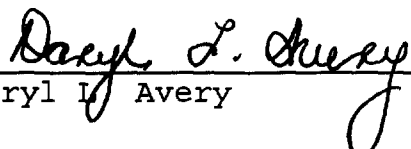
Dated: July 1, 1994

CERTIFICATE OF SERVICE

I hereby certify that on this 1st day of July, 1994, copies of the foregoing "Response to Petition for Rulemaking" were mailed, postage prepaid, to the parties below:

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